

**MINUTES OF THE BOARD OF DIRECTORS OF THE TOWN OF GILBERT,
ARIZONA PUBLIC FACILITIES MUNICIPAL PROPERTY CORPORATION,
ANNUAL MEETING, THURSDAY, NOVEMBER 9, 2017, 5:00 P.M., GILBERT
MUNICIPAL CENTER, CONFERENCE ROOM 233, 50 EAST CIVIC CENTER
DRIVE, GILBERT, ARIZONA**

MEMBERS PRESENT: President Roy Schmidt, Vice-President Paula Hatch, Secretary-Treasurer Nabeel Ebrahim, Director Matthew Porter, Director Timothy Smith

MEMBERS ABSENT: None

TOWN STAFF PRESENT: Kelly Pfof, Management and Budget Director
Håkon Johanson, Finance & Management Services Director
Kim Leone, Management and Budget Specialist

OTHERS PRESENT: Councilmember Jared Taylor
Timothy A. Stratton, Gust Rosenfeld, PLC
Jim Stricklin, Wedbush
Julie Bice, Wedbush

CALL TO ORDER

President Schmidt called the meeting to order at 5:06 p.m.

OATHS OF OFFICE

Councilman Jared Taylor administered the Oath of Office to Director Porter.

ROLL CALL

Management and Budget Specialist Leone called roll and declared a quorum was present.

COMMUNICATIONS FROM CITIZENS

None received.

1. **MINUTES** – consider approval of the minutes of the meeting of March 7, 2017.

A MOTION was made by Secretary-Treasurer Ebrahim seconded by Vice President Hatch to approve the minutes of the meeting of March 7, 2017. ***Motion carried 4 - 0***

2. SERIES 2017 REVENUE AND REVENUE REFUNDING BONDS

Director Timothy Smith arrived at 5:11.

President Schmidt requested a staff presentation on this item. Budget Director Pfof explained the original repayment structure for the 2009 PFMP Bonds had ups and downs in how much payment was due annually. The Town decided to level these payments internally and pay a

consistent amount yearly. There is currently just under \$12 million dollars set aside in the sinking fund created to be used later when bond payments are higher which can be used now to decrease the amount of outstanding principal. The Town proposes to pay these funds up front to reduce the bonds that are outstanding as part of this new refunding structure.

Additionally, parts of the original bonds were paid back through the use of Fire System Development Fees and the Town has a fire station they are currently working towards building. The Town does not currently have sufficient Fire System Development Fees to complete construction for this fire station. This has happened in the past. The Town does not expect new residents to go without necessary services until enough funds are collected to expand services for everyone. We build in advance and have the System Development Fees pay for it over time. The Town proposes doing the same for this issue and put about \$7.5 to \$8 million dollars to finance construction of the fire station which would be paid back over time. The other option is to have General Fund cover the construction, but there is not a lot of capacity in General Fund to do that. Regardless, Fire System Development Fees has to borrow the funds for this construction one way or the other. The Town proposes using the Market and then paying the interest back to the Market over time for this issue. Even with the additional money that would be part of this, that is the new money portion, there would still be about \$20 million dollars of savings and reduction on this debt. The Town proposes using the funds for this construction is a good use of resources and funds at this time.

There are additional National Considerations at this time. The Federal Level is looking into potentially not allowing advance refunding anymore. It is not sure if this will pass or not, but if it does pass it would affect the refunding being planned by the Town because these bonds are actually callable in 2019. If we waited until the spring and this National Legislation were to pass, we would not be able to refund these bonds and take advantage of the lower interest until 2019.

President Schmidt asked what the coupon rate of the old bond was, what the coupon rate of the new bond is, and what the overall costs are. Jim Stricklin informed the Board that the old bond coupon rate was five to five and a quarter with underwriting costs under \$2.25 per thousand making the total overall costs less than one percent. The new bond coupon rate will probably be fives but will be sold at a premium. Investors want more current income and are willing to pay a premium to get a five percent bond coupon rate which is one of the reasons the Town will not be borrowing as much money.

President Schmidt asked when the new bond callable would be due. Jim Stricklin informed the Board the bonds would be non-callable because of the duration. Staff evaluated if the Board wanted the ability to call the bonds and obtained additional information from Morgan Stanley Underwriters on the subject. It would have cost hundreds of thousands of additional debt if the Board did not call so the Bond team did not think the Board wanted that option.

President Schmidt asked when to expect the bonds to go on sale. Jim Stricklin informed the Board the plan is that once the Board gives approval the issue will go to the Town Counsel on November 16. After that meeting the bonds would likely be sold in the market during the week after Thanksgiving.

Secretary-Treasurer Ebrahim asked for clarification on the \$12 million dollar savings and the \$7 million being used for the fire station construction. Budget Director Pfof explained the \$12 million dollars is the additional funding being paid in buy down the bond debt and that there is \$16 million in interest savings.

Director Porter asked for confirmation that the \$12 million dollars was to come from the sinking fund and wanted to know how much buffer would be left in the sinking fund. Budget Director Pfof confirmed the funds were coming from the sinking fund and that the transaction would close out the sinking fund because we would not need it because this refunding was structured to have more level payments. Director Porter asked if there would be a reserve fund other than the General Fund. Budget Director Pfof explained that we would not have a debt service reserve on this refunding. Jim Stricklin explained that bond coverage is currently at about nine and a half times coverage and the Town has excellent credit so a reserve is not necessary at this time. Additionally, currently reserves are considered inefficient in the Market Place. Budget Director Pfof added the Town requested ratings from Fitch and from Moody's and received word that Fitch has officially rated the transaction as AAA and hope to hear from Moody's shortly.

Director Porter asked what the bond ratings were in 2009. Budget Director Pfof responded to the bond rating question asked earlier that in 2009 the Moody's rating was an AA3 and the Standard and Poor rating was an AA. Jim Stricklin stated that our current Moody's rating is AA1, our Standard and Poor rating is AA+, and Fitch has the Town rated as AAA GO-bond and AAA excise tax as affirmed in the report received that day.

Director Porter commented that based on the Market the going coupon rate is still the same now as it was in 2009. Jim Stricklin clarified that the coupon is not really the borrowing rate but what the investor receives. If in 2009 one were paying five that may have been the yield too, now the yield on the front end may be less than one percent. Because the return on investment is going to be about one and a half or two percent, investors are willing to pay a premium to get a five percent coupon. So if \$45 million of bonds are sold the Town may end up with \$50 million in proceeds because of the premium paid. The yield side is the reality of what investors pay to make the investment.

Director Porter asked for a reminder of how much funds will be moved to support the fire station construction. Budget Director Pfof answered it would be about \$7.5 million.

Director Porter asked if on the pay back there are impact fees being charged on single family permits under new construction as well as if that was not sufficient to fund the fire station construction. Budget Director Pfof stated the funds were paying it back slowly over time. Director Porter commented that it is typical for the building impact fees paid by the developer to cover this which Budget Director Pfof confirmed it was. Using the bonds helps the Town better match cash flow over time as the revenue from the projected population will be coming in over the next ten to twenty years.

Director Smith asked if there was any background on how the Town came to the amount required for the construction of the fire station. Budget Director Pfof informed the Board that we have the construction costs in our Capital Improvement Plan but it also has some contingencies in it. The Town worked with the Fire Department and the Project Managers over

the project who believe the project will actually come in closer to the high seven million low eight million. The Town does not want to get more bond funding than the actual project because we do not have any other authorized use for it. The estimation is a little low but the Town plans to fill the gap with system development fees. Director Smith asked what is the estimated timeframe construction will start. Management and Budget Director Pfof informed the Board that the Town broke ground on the project two days ago. The project design is complete and general contractors are already on board so the Town is getting pretty good numbers on cost at this point. Jim Stricklin mentioned that there is a reimbursement resolution for payback on anything that occurs before the bonds are issued.

A MOTION was made by Secretary-Treasurer Ebrahim seconded by Vice President Hatch to approve bond documents as written. ***Motion carried 4 - 0***

Councilman Jared Taylor administered the Oath of Office to Director Smith.

FUTURE AGENDA ITEMS/MEETINGS

3. Identify future agenda items.

None received.

COMMUNICATIONS

4. From the PRESIDENT on current events.

None received.

5. From the BOARDMEMBERS on current events.

None received.

6. From the COUNCIL LIAISON on current events.

None received.

7. From the STAFF on current events.

Director Pfof mentioned that the next scheduled meeting will occur in January which is the annual meeting and thanked the Public Facilities members for attending this special meeting.

ADJOURN

A MOTION was made by Secretary-Treasurer Ebrahim, seconded by Vice President Hatch to adjourn the meeting. ***Motion carried 5-0.***

The meeting was adjourned at 5:26 p.m.

ATTEST:

Roy Schmidt, President

Nabeel Ebrahim, Secretary-Treasurer

CERTIFICATION

I, hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Annual Meeting of the Town of Gilbert, Arizona Public Facilities Municipal Property Corporation held on November 9, 2017. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this _____ day of _____.

Nabeel Ebrahim, Secretary-Treasurer